

6/29/78

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Memo	Robert Lipshutz to Pres. Carter, w/attachments 5, re:Omi Walden	6/27/78	C

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THE WHITE HOUSE
WASHINGTON

June 29, 1978

Jim McIntyre

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

cc: The Vice President
Stu Eizenstat
Bob Lipshutz
Frank Moore

SAN ANTONIO MISSIONS AND ST.
PUAL'S CHURCH -- FEDERAL OWNER-
SHIP AND MAINTENANCE OF ACTIVE
CHURCH BUILDINGS

THE WHITE HOUSE
WASHINGTON

6/29/78

Mr. President:

Stu's comment is attached. Congressional Liaison concurs with Stu.

Bob Lipshutz agrees with OMB, and opposes acquisition of the San Antonio Missions: "The Missions plan to retain their active status and, therefore, Catholic Masses would be held in Federally-owned buildings. We believe this would set a dangerous precedent breaching the neutrality of the Federal government by fusing governmental and religious functions. It is questionable constitutionally and, we believe, bad policy."

Lipshutz concurs with Interior as to the second issue - each issue should be considered individually on its own merits.

Rick



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

JUN 21 1978

*I would not
oppose state (of
Texas) acquisition with
some federal grant
for necessary one-
time renovation -
J.C.*

ACTION

MEMORANDUM FOR:

THE PRESIDENT

FROM:

James T. McIntyre, Jr. *Jim*

SUBJECT:

San Antonio Missions and
St. Paul's Church -- Federal
Ownership and Maintenance of
Active Church Buildings

ISSUE: Should the U.S. Government assume ownership, rehabilitation and maintenance responsibility for active church buildings as part of our National Park or Historic Preservation programs?

H.R. 12536 (the omnibus parks bill now awaiting House floor action) contains two provisions that would place active churches in the ownership of the Federal Government who would rehabilitate the structures, and maintain them for use of their present congregations, as well as use by the touring public.

The first of these provisions, and the one we have the most background on, would establish a San Antonio Missions National Historic Park.

The Park would be comprised of four historic, eighteenth century Spanish missions in San Antonio, Texas. The missions, together with nearby lands and irrigation systems, are important historic structures. Interior believes that these sites constitute "a historic resource of the first rank . . . the greatest concentration of Spanish missions in the U.S. and the finest remaining monuments of the Spanish role in Texas."

The bill would authorize Federal acquisition of present and former properties of the four missions by purchase or donation from the Catholic Archdiocese of San Antonio. The estimated cost of acquisition and rehabilitation is \$35 million. The National Park Service would be authorized to administer them for public visitation.

The Archdiocese indicates that it cannot afford the cost of rehabilitating the missions to their 19th century aspect and is willing to give up ownership.

The Archdiocese will not donate the missions to the Federal Government unless they can continue as active Catholic churches when under Federal ownership. (They have an active membership of 2,000 families and estimated attendance at masses and other church functions of 69,000 annually.)

Interior is willing to accept this condition in return for authority to rehabilitate the missions and to provide for public viewing. Interior therefore proposes to acquire the missions and then lease them back to the Archdiocese for religious functions.

Objections: We have a number of objections to the San Antonio Missions proposal.

1. Since Spanish missions are already one of the most represented themes in the National Park System, we question the priority of adding more missions. NPS has three other National Park areas exemplifying the theme of Spanish missions in the old Southwest. These are inactive missions that involve no church entanglements. Another similar nearby mission, the Alamo, is available to the public, preserved by a private group.
2. Various elements of the San Antonio Missions complex will be preserved in the absence of this park proposal. (The irrigation system, the San Jose mission, and the Alamo, mentioned above)
3. Given (1) and (2) above, the budget cost of this item seems an unnecessary low priority outlay.
4. The proposal raises very sensitive and difficult issues involving the relationship between church and State.

Another provision authorizes Federal acquisition, rehabilitation, and maintenance of St. Paul's Church (Episcopal) Eastchester, Mt. Vernon, New York, on substantially the same basis as San Antonio Missions. While we know much less about this church (it was added by the House Subcommittee without Park Service study) and some of our objections to San Antonio would not be applicable to St. Paul's, the same church-State relationship issue is raised.

The church-State relationship is the subject of this memorandum.

CONSTITUTIONAL ISSUES IN THE CHURCH-STATE RELATIONSHIP

The First Amendment states, in part, that "Congress shall make no law respecting an establishment of religion." Judicial interpretation of this Amendment has been difficult and sometimes confusing. However, in the case of Roemer v. Board of Public Works of Maryland, the Supreme Court held that, in order for an Act of Congress to meet the constitutional test, the legislation must:

1. have a secular purpose;
2. neither enhance nor inhibit religion as its primary effect;
3. not lead to administrative arrangements which excessively entangle the Government in religious affairs.

Interior's Solicitor's Office believes that the San Antonio Missions proposal can meet these three tests and, hence, is not unconstitutional. Interior argues that:

1. the purpose of the legislation is secular - to preserve the historic architecture of the missions.
2. the primary intent of the legislation is solely to implement its secular purpose. Only incidentally will religion be aided.
3. Interior believes that a legal agreement between the National Park Service and the Archdiocese can sufficiently separate (in time or place) the parish use from the public use, that excessive entanglement will be avoided.

The Department of Justice does not disagree with these views and therefore does not believe that the authorizing bill is unconstitutional on its face. Justice does warn, however, that each intended agreement pursuant to the bill would have to be analyzed on its own facts for constitutionality, and that a court might find some arrangements unacceptable.

POLICY ISSUES IN THE CHURCH-STATE RELATIONSHIP

We believe that the San Antonio and St. Paul's provisions raise serious policy issues involving this Administration's stance on church-State interactions even though they may be constitutional.

The principal objective of the constitutional amendment regarding religious freedom has been that the Government should not take actions which encourage or support one set of religious beliefs over another.

In the view of many Americans, involvement between the Government and churches raises apprehensions even though they may not be well articulated. The spending of tax money to support any churches is, of course, susceptible to attack.

Thus, the following questions should be addressed. We admit that we have no answers to the questions, nor even commonly agreed-upon alternative answers for decision. However we believe that answers must be evolved if we begin to follow the course opened by these proposals.

1. How can a generally acceptable line be maintained between the secular aspects of a church and its religious aspects for Federal support purposes?

There appears to be no clear dividing line that all reasonable men would agree on between those aspects of churches that are merely historic and esthetic in the secular sense and those that have religious significance. The very shape of the church ground plan and its directional orientation often have religious significance, as do many features of external appearance (such as steeples,

stained glass, etc.). Once inside, virtually every article or decoration that can be touched, heard, or observed (that would be eligible for rehabilitation for the enjoyment of the touring layman) is part of the religious experience of the clergy and congregation.

The argument that the public funds would be used solely for historic preservation is difficult to maintain because historic preservation has little meaning apart from the article preserved -- and the articles here preserved are basically religious facilities.

Should the spending of public funds for church rehabilitation and maintenance become challenged in the courts as violating the Constitution, it is extremely unclear where such litigation would lead or how long (if ever) it would take for resolution.

The absence of a clear answer to this question raises a presumption that some of the Federal building rehabilitation and maintenance will be deemed support for religious aspects. This leads to the next two questions.

2. How far can the Government go in supporting a particular religion or denomination?

The Park Service's plans for the San Antonio Missions will specifically insure their continued religious use by the Roman Catholic Church. There are no plans to open the missions, under Federal ownership, to religious services for any other faith. The same conditions will apply to St. Paul's Church and its Episcopal congregation.

Does this result in inappropriate Federal support for Catholic or Episcopalian beliefs? In each case it is clear that Federal investment in rehabilitation and maintenance of the church buildings will provide religious benefits only to the congregations and denominations presently adhering to them. If only these two church complexes or only these faiths are supported, is the Government not then subject to the charge of encouraging or supporting some sets of beliefs over others?

3. How can unequal treatment of religions be avoided?

In order to avoid favoritism, it could well be argued that equal Federal benefit should be conveyed on all faiths, or perhaps equal benefit per capita, according to the membership of each.

Older historic churches are concentrated in a few faiths, notably Catholicism and Congregationalism. Large amounts of Federal aid would be available to these religions, while relatively little aid

would be available to religions which either are relatively new or do not believe in large, elaborate churches. Those denominations who do not believe in Government support would not receive aid available to others.

4. How far should the Government go in providing general financial support for religion?

If the Federal Government actually operates and maintains church structures or merely contributes financially to their rehabilitation, there appears to be no way of avoiding a posture of general financial support for religion. Appropriating the public's taxes to rehabilitate and maintain church buildings will surely be construed as Federal Government support for religion. This is quite different from the general policy of nontaxation of church religious property, which has historically been viewed as separation of church and State.

At very least, Federal rehabilitation and maintenance of church buildings relieves the congregation of the expense of maintaining their religious buildings, and thus frees their funds for other religious uses.

5. How can the potential for increasing Federal cost be controlled?

Proposals for Federal assumption of church rehabilitation costs for historic preservation reasons are likely to increase in the future.

Numerous churches are in financial difficulty; many congregations would like to receive Federal aid for restoration of their churches, while worship there would continue. The cost of such Federal aid is unknown but could be substantial. Assuming that criteria based on the quality of a church building's architecture constitutes a politically sustainable limitation on eligibility for Federal support will limit the Federal liability somewhat. But such an assumption may prove very difficult to enforce.

RELATED ACTIVITIES AND PRECEDENTS

There are a number of existing cases of Federal involvement with church buildings that you should be aware of. These are listed below, along with their relationship to the above issues:

- numerous nondenominational military chapels built and operated at Federal expense;
- 1,055 churches listed on the National Register of Historic Places and, thereby, eligible for preservation grants (this also presents a less intense but more widespread problem that we are working on in connection with the Heritage Trust criteria);

- 4 inactive historic churches in the National Park System, such as the church which was the scene of intense fighting during the battle of Antietam;
- 4 active churches which are not federally owned, but which are "affiliated areas" of the National Park System -- the Federal Government provides these areas a very small amount of technical assistance in preservation.

The most troublesome additional case, and one which can be cited as a precedent for San Antonio Missions and St. Paul's, is Hopewell Village National Historic Site. The site comprises a historic Mennonite community, including the small local church which is still used by the congregation. The community, including the church, is federally owned, and the church is leased to the congregation for a token fee. However, the Federal Government has spent only small amounts over 5 years (about \$30,000) on restoration and maintenance of the church. The San Antonio Missions proposal is clearly of a different order of magnitude than this precedent.

CONCLUSION

We view the church-State issues discussed above as extremely difficult. As Federal interests in historic preservation draw the Government into support of active churches, our traditional principles guiding Government policy toward religion are gradually breached. Where this Administration should draw the line from a policy point of view is unclear, but extremely important.

On the San Antonio Missions and St. Paul's issue, we need an immediate decision in order to respond to the pending legislation.

Particularly in light of the budget and other considerations presented here, I strongly recommend that you not risk endorsing even the appearance, if not the fact, of church support by the Federal Government, and that you oppose the San Antonio and St. Paul's proposals.

DECISION

1. Whether to support the San Antonio Missions and St. Paul's proposals

<input type="checkbox"/>	Support. Recommended by Interior. Eizenstat, Congressional Liaison
<input checked="" type="checkbox"/>	Oppose. Recommended by OMB. Lipshutz

2. Whether to support acquisition of other active churches for historic park purposes

☐ Yes.

☒ No. Recommended by OMB.

☐ Consider the historic merit of other proposals as they arise and decide case by case. Recommended by Interior. Eizenstat, Lipshutz, and Congressional Liaison.

THE WHITE HOUSE


WASHINGTON

June 27, 1978

MEMORANDUM FOR

THE PRESIDENT

FROM

STU EIZENSTAT 

SUBJECT: Comments on Jim McIntyre's Memorandum on
Federal Ownership and Maintenance of
Active Churches

The OMB memorandum suggests:

- that you establish a policy of never acquiring churches for historic park purposes, and
- that you reject proposals for the acquisition of the San Antonio Missions in Texas and St. Paul's Church in New York.

The Justice Department and the Interior Department's Solicitor have determined that an historic but still active church can be acquired, rehabilitated and maintained in a constitutional manner. Several precedents exist. There are numerous instances in which technical assistance and funds for the preservation of active churches have been provided, and a church which is part of the Hopewell Village National Historic Site is still being used by its Mennonite congregation.

I believe that adopting a policy of never acquiring active churches for historic purposes would be a serious mistake in view of our necessary constitutional confrontation with the Catholic Church over tuition tax credits. Therefore, I would urge you not to establish the general policy OMB suggests.

The San Antonio Missions proposal is very popular in Texas, where Congressmen Henry Gonzalez and Abraham Kazen and Mrs. Lady Bird Johnson are strong supporters. Interior informs us that along with the Alamo, these missions represent the best examples of mission architecture in the United States, and the finest monuments in Texas of the area's Spanish colonial heritage. These would be the only intact missions in the Park system -- the others are all ruins. The appropriations required

would not be large and would be spread out over several years. Acquisition is expected to cost \$10 million, but development costs (nearly all rehabilitation) have not been determined yet. The Park Service has made an initial estimate of about \$25 million.

St. Paul's Church is in Congressman Richard Ottinger's district in New York, and was built on the site where John Peter Zenger was arrested for criticizing the King and supporting freedom of the press in colonial times. The church was built 30 years after Zenger was arrested. Zenger's story is presented at the site where he was tried, and the Park Service does not believe St. Paul's Church has sufficient historical importance to justify acquisition. Contrary to OMB's memorandum, Interior and OMB both oppose acquisition of St. Paul's -- but Representative Ottinger has continued to push hard.

RECOMMENDATION

I strongly agree with Interior's recommendation that we should reject a blanket ban on acquisition of churches for historic park purposes, and consider such proposals on their merits on a case-by-case basis. This is a moderate and reasonable approach, and is supported by the legal advice of both the Justice and Interior Departments.

I also agree with Interior that we should support the San Antonio Missions proposal, and with both OMB and Interior that we should oppose the acquisition of St. Paul's.

WASHINGTON

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6/27-
a. checked

BOB ~~LIP~~ SHUTZ

~~JACK WATSON~~

JODY POWELL

SUBJECT: MCINTYRE MEMO RE SAN ANTONIO MISSIONS AND ST. PAUL'S
CHURCH -- FEDERAL OWNERSHIP AND MAINTENANCE OF ACTIVE
CHURCH BUILDINGS

+++++
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: 0900 AM MONDAY 26 JUN 78 +
+++++

ACTION REQUESTED:

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

THE WHITE HOUSE

WASHINGTON

June 27, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: ROBERT LIPSHUTZ
MARGARET MCKENNA

AA
mic

SUBJECT: San Antonio Missions

DECISIONS:

1. Support the San Antonio Missions proposals.
We agree with OMB and oppose the acquisition.

The Missions plan to retain their active status and, therefore, Catholic Masses would be held in federally owned buildings. We believe this would set a dangerous precedent breaching the neutrality of the federal government by fusing governmental and religious functions. It is questionable constitutionally and we believe bad policy.

2. Support acquisitions of other active churches for historic purposes.

We agree with the Interior Department and believe that each of these situations should be considered individually on their own merits. We need to look into each of these to see whether the financial support actually subsidizes religion or in fact is so nominal as to be limited to historic preservation.

WASHINGTON

DATE: 22 JUN 78

FOR ACTION: STU EIZENSTAT

BOB LIPSHUTZ

FRANK MOORE (LES FRANCIS)

JACK WATSON

INFO ONLY: THE VICE PRESIDENT

JODY POWELL

ANNE WEXLER

KE: FM ✓
SL ✓
HL ✓
Ronne ✓

SUBJECT: MCINTYRE MEMO RE SAN ANTONIO MISSIONS AND ST. PAUL'S
CHURCH -- FEDERAL OWNERSHIP AND MAINTENANCE OF ACTIVE
CHURCH BUILDINGS

+++++
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: 0900 AM MONDAY 26 JUN 78 +
+++++

ACTION REQUESTED:

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

Cable - I generally concur with OMB, but we need to feel out
Harry Gonzalez to see how tough a stand he is going to take.

Kazen

we don't feel strongly

Get out
to do it

WASHINGTON

DATE: 22 JUN 78

FOR ACTION:

*XC FM**SL**HL**Ronna*

INFO ONLY: THE VICE PRESIDENT

STU EIZENSTAT

FRANK MOORE (LES FRANCIS)

FRAN VOORDE

PHIL WISE

SUBJECT: MCINTYRE MEMO RE YOUR JUNE 23 TEXAS TRIP AND THE
DEPARTMENT OF EDUCATION

+++++
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: +

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

WASHINGTON

DATE: 21 JUN 78

FOR ACTION: STU EIZENSTAT

JACK WATSON

ANNE WEXLER

FRANK MOORE (LES FRANCIS)

BOB LIPSHUTZ

INFO ONLY: THE VICE PRESIDENT

JODY POWELL

Xc: FM
HL
SL
Conna

SUBJECT: ENROLLED BILLS H.R. 10884 - CEQ APPROPRIATION AUTHORIZATION;
HR 5493 - GREAT DISMAL SWAMP AND SAN FRAN NATIONAL WILDLIFE REFUGEES;
H.R. 1436 - RELIEF KLUSMEIER - 6/26/78

may

+++++
+ RESPONSE DUE TO BERT CARP +
+ BY: 1200 PM FRIDAY 23 JUN 78 +
+++++

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

WASHINGTON

DATE: 21 JUN 78

FOR ACTION: JIM FALLOWS

STU EIZENSTAT

FRANK MOORE (LES FRANCIS)

JACK WATSON

BOB LIPSHUTZ

ANNE WEXLER

INFO ONLY: THE VICE PRESIDENT

JODY POWELL

*Xe:FM
HL
SL
Ronne
gnd*

SUBJECT: ENROLLED BILL S. 2553 - MARITIME ADMINISTRATION AUTHORIZATIONS

LAST DAY 6/26/78

+++++

+	RESPONSE DUE TO BERT CARP	+
+	BY: 1200 PM FRIDAY 23 JUN 78	+

+++++

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: ☒ I CONCUR. ☐ NO COMMENT. ☐ HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

WASHINGTON

DATE: 22 JUN 78

FOR ACTION: STU EIZENSTAT

BOB LIPSHUTZ

FRANK MOORE (LES FRANCIS)

JACK WATSON

INFO ONLY: THE VICE PRESIDENT

JODY POWELL

ANNE WEXLER

*Xc: FM
SL
HL ✓
Ronna*

SUBJECT: MCINTYRE MEMO RE SAN ANTONIO MISSIONS AND ST. PAUL'S
CHURCH -- FEDERAL OWNERSHIP AND MAINTENANCE OF ACTIVE
CHURCH BUILDINGS

+++++
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: 0900 AM MONDAY 26 JUN 78 +
+++++

ACTION REQUESTED:

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

*I generally concur with DMB - but
we need to ~~see~~ feel out Henry Gonzalez
to see ~~where~~ how tough he is and he is
going to take _____*

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

29 June 1978

TO: THE PRESIDENT *RL*
FROM: RICK HUTCHESON *RL*
SUBJECT: Memos Not Submitted

1. JIM MCINTYRE MEMO. "At a recent meeting which you held with business executives, there was some discussion about an Executive Order proposed by DoE which would centralize coordination of all energy facilities licensing at DoE."

McIntyre has several concerns about DoE's proposal. "A massive across-the-board approach is likely to generate reams of paper and little progress in finding delays." It would antagonize affected agency heads. OMB is discussing these and other problems with DoE.

cc:
Watson

McIntyre adds that "since February, OMB has been working with DoE, Interior, EPA, CEQ, MESA, REA and the Corps of Engineers to develop an interagency Federal permit tracking system for coal-fired power plants and corresponding coal mines... This has been accomplished without Executive Orders or other directives; instead, we have set up a working group of senior agency officials chaired by OMB. OMB's honest broker role in this effort has been accepted by the agencies. We are working closely with DoE in this process."

2. DICK PETTIGREW MEMO giving you a copy of telegrams sent to Members of the House Post Office and Civil Service Committee on veterans' preference modification. "I and my staff have made special efforts to cultivate non-women's group support, an effort that has paid off with the telegram."

The telegrams were sent by: American Veterans Committee, Business Roundtable, Chamber of Commerce, Common Cause, Congress Watch, National Urban League, ACLU and the UAW, among others.

3. JODY POWELL NOTE. He plans to give the News Summary staff a long weekend over the 4th of July. The issues of Monday the 3rd - Wednesday the 5th would be omitted.
4. SECRETARY BLUMENTHAL sent you a long memo on National Health Insurance. Opening paragraph:

"The issue raises a difficult dilemma: squaring your commitment to a comprehensive NHI plan with the severe economic, budget, and tax constraints we will face for the next several years. I believe this dilemma can be resolved, as suggested in your April 1976 speech on Health Policy, by working gradually toward a comprehensive program. Designing such a solution requires a thorough understanding of the nature and extent of all the relevant economic constraints, as we have very little margin for error..."

Stu and I agree that you can safely omit reading this background memo, which raises no new issues.

WASHINGTON

DATE: 29 JUN 78

FOR ACTION:

INFO ONLY: THE VICE PRESIDENT STU EIZENSTAT
FRANK MOORE (LES FRANCIS) JACK WATSON
ANNE WEXLER

SUBJECT: MCINTYRE MEMO RE COAL-FIRED POWER PLANT PERMIT TRACKING
SYSTEM

+++++
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: +
+++++

ACTION REQUESTED:

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

		FOR STAFFING
		FOR INFORMATION
		FROM PRESIDENT'S OUTBOX
		LOG IN/TO PRESIDENT TODAY
		IMMEDIATE TURNAROUND
		NO DEADLINE
		LAST DAY FOR ACTION -

(maybe for summary)

ACTION
FYI

		ADMIN CONFID
		CONFIDENTIAL
		SECRET
		EYES ONLY

		VICE PRESIDENT
		EIZENSTAT
		JORDAN
		KRAFT
		LIPSHUTZ
		MOORE
		POWELL
		WATSON
		WEXLER
		BRZEZINSKI
		MCINTYRE
		SCHULTZE

already have
cc

		ARAGON
		BOURNE
		BUTLER
		H. CARTER
		CLOUGH
		COSTANZA
		CRUIKSHANK
		FALLOWS
		FIRST LADY
		GAMMILL
		HARDEN
		HUTCHESON
		JAGODA
		LINDER
		MITCHELL
		MOE
		PETERSON
		PETTIGREW
		PRESS
		RAFSHOON
		SCHNEIDERS
		VOORDE
		WARREN
		WISE

		ADAMS
		ANDRUS
		BELL
		BERGLAND
		BLUMENTHAL
		BROWN
		CALIFANO
		HARRIS
		KREPS
		MARSHALL
		SCHLESINGER
		STRAUSS
		VANCE



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

JUN 28 1978

MEMORANDUM FOR

THE PRESIDENT .

FROM:

JIM MCINTYRE *Jim*

SUBJECT:

Coal-Fired Power Plant Permit Tracking System

I understand that at a recent meeting which you held with business executives, there was some discussion about an Executive order proposed by DOE which would centralize coordination of all energy facilities licensing at DOE.

Since February, OMB has been working with DOE, Interior, EPA, CEQ, MESA, Corps of Engineers, and the Rural Electrification Administration to develop an interagency Federal permit tracking system for coal-fired power plants and corresponding coal mines proposed for development by operators. This effort was undertaken after an OMB analysis disclosed that the above agencies did not have basic information on how well they were managing permitting processes under their jurisdiction. We found that individual agencies did not know whether they were the cause of delays, and on a government-wide basis we were unable to determine the cumulative effect of all Federal permits on delays in completing proposed power plants. Our judgment was that since the Federal Government has passed laws and assumed responsibility for regulation of various aspects of power plants development, then regulation should be done in an efficient and effective manner. The tracking system is being designed to provide such information to top managers in each Federal agency as well as to the Executive Office.

More specifically, the tracking system will:

- require each agency to set a target date for action on each significant permit application;
- require progress reports from each agency every six months on meeting the targets; and,
- periodically provide summary information on whether the Federal Government is causing delays and why.

Formal reporting under this plan will start on October 1, 1978, with the first progress report due in February 1979. We currently are working with the agencies to select the significant permits to be tracked and to design the ground rules under which the system will function. We are finding that the permitting processes of the agencies are very complex;

we are proceeding carefully with the effort to insure we collect the minimum amount of key information to be informed on progress and problems. Since what we are doing has not been done before, I believe our cautious approach is the best way to proceed.

Agency cooperation has been very good. This has been accomplished without Executive orders or other directives; instead, we have set up a working group of senior agency officials chaired by OMB. OMB's honest broker role in this effort has been accepted by the agencies. We are working closely with DOE in this process.

Since the National Coal Association, Senator Jackson, and the Business Roundtable have expressed concerns regarding delays in the Federal permitting processes, we should more completely inform them about this effort. I will discuss how we do this with Stu, Jack and Anne Wexler.

Jim Schlesinger has proposed that you issue an Executive order which would authorize DOE to establish target dates by which all agency permits would be issued, and which would require all Federal agencies to track all Federal permits on all energy facilities, e.g., pipelines, transmission lines, docks, railroad spurs, power plants, etc., and report to the Secretary of DOE. After reviewing the comments other agencies have made regarding this order, and in light of OMB's current efforts in this area, I have the following initial concerns over Jim's approach:

- (1) Some energy facilities are of such national importance that Federal permitting of such facilities must receive continuing, high-level Executive Branch attention. This category of facilities would include, for example, the Alaska Gas Pipeline, an East West oil pipeline, and high-btu coal gasification plants. It should not include all major energy facilities as proposed. An Executive order is not necessary to get this job done. In fact, if issued, it will antagonize affected agency heads. Placing the Secretary of DOE in a position to direct the Secretary of the Interior to report on facility permitting would, in effect, place Cecil Andrus in a subordinate position to Jim Schlesinger.
- (2) Permit tracking and intervention must be done with discretion because of the large number of permits and facilities potentially involved and because of the statutory standards and mandates that often are involved. A massive across-the-board approach is likely to generate reams of paper and little progress in finding delays.
- (3) Many agencies responding to the proposed DOE Executive order voiced strong opposition.

My staff is reviewing these problems with DOE. We will advise you of further developments.

THE WHITE HOUSE

WASHINGTON

June 28, 1978

MEMORANDUM FOR: THE PRESIDENT

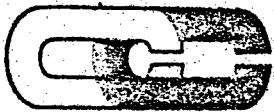
FROM: RICHARD PETTIGREW *Rich*

SUBJECT: Support for Veterans' Preference
Modification

The House Post Office and Civil Service Committee is expected to vote today on veterans' preference modification. I thought you would be interested in the breadth of outside support for this change.

The women's groups, as listed, have been supportive all along. I and my staff have made special efforts to cultivate non-women's group support, an effort that has paid off with the attached telegram.

Attachments



common cause

2030 M STREET, N.W., WASHINGTON, D. C. 20036 (202) 833-1200

NAN F. WATERMAN
Chairwoman

DAVID COHEN
President

JOHN W. GARDNER
Founding Chairman

June 27, 1978

The Honorable Jimmy Carter
The White House
Washington, D.C. 20500

Dear Mr. President:

Enclosed for your information is a copy of a telegram sent today by Common Cause and the American Veterans Committee, Business Roundtable, Chamber of Commerce, Congress Watch/Public Citizen and National Urban League to all members of the House Post Office and Civil Service Committee.

As the groups endorsing this telegram have stated, those of us working for adoption of modification of veterans preference represent a broad spectrum of philosophies. We share your concern that veterans preference should be modified to focus on Vietnam veterans and feel that the compromise encompassed in the Schroeder amendment properly meets the needs of that group while bringing greater equity to minorities, women, and young people in the federal government.

We look forward to continuing to work with the Administration for enactment of fundamental civil service reform legislation.

Sincerely,

David Cohen
President



common cause

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NAN F. WATERMAN
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DAVID COHEN
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Founding Chairman

June 27, 1978

The following mailgram was sent to all members of the
House Post Office and Civil Service Committee:

IN INTEREST OF VIETNAM VETERANS, MINORITIES, AND WOMEN,
STRONGLY URGE SUPPORT OF SCHROEDER AMENDMENT TO MODIFY
VETERANS PREFERENCE.

AMERICAN VETERANS COMMITTEE

BUSINESS ROUNDTABLE

CHAMBER OF COMMERCE

COMMON CAUSE

CONGRESS WATCH/PUBLIC CITIZEN

NATIONAL URBAN LEAGUE

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

June 16, 1978

Organizations Supporting the Veterans' Preference Amendment

American Civil Liberties Union
American Association of University Women
Black Women for Policy Action
Business and Professional Women's Clubs of the USA, Inc.
Capitol Hill Women's Political Caucus
U.S. Chamber of Commerce
Common Cause
Cuban-American Women's National Association
Federally Employed Women
Federation of Organizations of Professional Women
International Personnel Management Association
League of Women Voters
Mexican-American Women's National Association
NAACP
National Association of Commissions for Women
National Association of Negro Business and Professional Women
National Council of Negro Women
National Federation of Democratic Women's Clubs
National Municipal League
National Women's Political Caucus
NOW Legal Defense and Education Fund
Ripon Society
Women Employed
Women's Equity Action League
Women's Legal Defense Fund
Women's Lobby
Young Women's Christian Association
National Conference of Puerto Rican Women

MAILGRAM

June 21, 1978

The Honorable William D. Ford
2368 Rayburn House Office Building
Washington, D. C. 20515

Urge your support for the Administration's proposed reform of the U.S. Civil Service to modify existing provisions that will protect the rights of Vietnam era and all disabled veterans, while improving opportunities for women and other non-veterans.

Hank Lacayo, Director
National UAW-CAP

Sam Fishman, Executive Director
Michigan UAW-CAP

sf/wh
opeiu494

United Auto Workers

THE WHITE HOUSE

WASHINGTON

June 29, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Jody Powell

A handwritten signature in dark ink, appearing to be 'JP' or 'Jody Powell', written over the printed name.

With your permission I'd like to give the News Summary staff a long weekend over the Fourth. We would omit the issues of Monday the third through Wednesday the fifth, resuming on Thursday the sixth.

ID 783362

THE WHITE HOUSE

WASHINGTON

DATE: 27 JUN 78

FOR ACTION: STU EIZENSTAT

JACK WATSON

JIM MCINTYRE

CHARLIE SCHULTZE

- N.C.

INFO ONLY: THE VICE PRESIDENT

HAMILTON JORDAN

FRANK MOORE (LES FRANCIS)

ANNE WEXLER

PETER BOURNE

SUBJECT: SEC. BLUMENTHAL MEMO RE NATIONAL HEALTH INSURANCE

+++++
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: 1200 PM THURSDAY 29 JUN 78 +
+++++

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

X	FOR STAFFING
	FOR INFORMATION
	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION -

ACTION
FYI

	ADMIN CONFID
	CONFIDENTIAL
	SECRET
	EYES ONLY

X	VICE PRESIDENT
X	EIZENSTAT
X	JORDAN
	KRAFT
	LIPSHUTZ
X	MOORE
	POWELL
X	WATSON
X	WEXLER
	BRZEZINSKI
X	MCINTYRE
X	SCHULTZE

	ARAGON
X	BOURNE
	BUTLER
	H. CARTER
	CLOUGH
	COSTANZA
	CRUIKSHANK
	FALLOWS
	FIRST LADY
	GAMMILL
	HARDEN
	HUTCHESON
	JAGODA
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	PRESS
	RAFSHOON
	SCHNEIDERS
	VOORDE
	WARREN
	WISE

	ADAMS
	ANDRUS
	BELL
	BERGLAND
	BLUMENTHAL
	BROWN
	CALIFANO
	HARRIS
	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE



THE SECRETARY OF THE TREASURY

WASHINGTON

June 26, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: W. Michael Blumenthal

WMB

SUBJECT: National Health Insurance

The following considerations should, I think, be taken into account as you move ahead with decisions on National Health Insurance.

I. The Problem

The issue raises a difficult dilemma: squaring your commitment to a comprehensive NHI plan with the severe economic, budget, and tax constraints we will face for the next several years.

I believe this dilemma can be resolved, as suggested in your April 1976 speech on Health Policy, by working gradually toward a comprehensive program. Designing such a solution requires a thorough understanding of the nature and extent of all the relevant economic constraints, as we have very little margin for error.

An economically acceptable blue print for NHI should

- provide for implementation in careful stages, not all at once;
- tailor each stage to available private and public resources;
- proceed from stage to stage only as general economic conditions, particularly inflation, permit, and only as the success of the preceding stage is demonstrated.
- concentrate first on the most important needs -- which means starting with cost containment and then focusing new funds on the neediest;

- . rely as much as possible on competition, free choice, and incentives, rather than cumbersome, bureaucratic regulations;
- . recognize candidly that full implementation of a comprehensive NHI plan will take at least a decade, and very possibly longer.

II. Tax and Budget Constraints

A. Budget

Conclusion: Even if we succeed in holding down spending on all other programs, there will be little, if any, budget room for increased health spending over the next 4-5 years.

Discussion: Cost estimates for NHI are notoriously imprecise. But, as best we can tell, a comprehensive plan would cost somewhere between \$100 and \$150 billion, with at least \$30 to \$40 billion of that coming from increased federal outlays. These federal outlays would be needed to subsidize improved coverage for the poor and the near poor (\$20 billion or more), for catastrophic coverage (\$7 - \$10 billion), and for improved coverage for middle income groups (\$3 - 5 billion). On top of these subsidies, a comprehensive system would entail some sort of federal involvement with \$50 to \$110 billion of currently private health expenditures. Finally, a comprehensive system might involve still another \$35 billion for long term care and the treatment of prolonged mental illness.

These numbers mean that, however we design it, NHI cannot be squared with your commitment to reduce federal spending to 21 percent of GNP by the early 1980's. Our very restrictive Spring Review assumptions put us at about 21% of GNP in FY 1982. Implementing even the HEW target plan would raise this back to 22%; a truly comprehensive plan would jack this up to at least 23%, and probably higher.

We cannot finance these added outlays from currently projected budget resources. There is a tendency to assume that economic growth will magically produce enough federal revenues for NHI. Over a period of several decades this may be true, but it will not be true over the next 4-5 years. The Spring Review projections already assume extraordinary restraint in existing programs, including "uncontrollables", yet leave us with a budget deficit in FY 1982. There is no "budget room" for added health spending.*

To finance NHI by increasing the budget deficit would be extremely imprudent: we must assume that the economy will be at or near full employment in the early 1980's, with inflation still a significant problem. These conditions would give us no latitude to increase the budget deficit.

B. Taxes

Conclusion: A survey of every possible source of additional tax revenues reveals little scope for financing large NHI expenditures. We might succeed in increasing excise taxes by modest amounts. A new "value added" tax would yield substantial revenues, but enacting it would be extremely difficult, and there are significant substantive disadvantages to it. Raising other federal taxes would involve even more difficult problems.

* It has been suggested that you may have about \$10 billion of "budget room" by 1982, to use for NHI. You should give no weight to this pleasant prospect in your NHI deliberations. First, \$10 billion in 1982 dollars would not be enough to fund basic health services even for the under-covered poor population (that requires at least \$10 billion in 1980 dollars.) Second, the \$10 billion in "budget room" requires foregoing a tentatively scheduled 1981 income tax reduction, and this means allowing income taxes to rise as a share of personal income in 1982 from 12.0 percent to 12.5 percent; the so-called "budget room" comes from an effective tax increase. Third, the \$10 billion 1982 surplus would exist only if eliminating the 1981 tax cut had no retarding effect on the economy, a wholly unrealistic assumption. Fourth, the "budget room" argument assumes no relief from the steep Social Security tax increases scheduled by the 1977 Amendments, which is politically a very questionable assumption. Fifth, the "budget room" exists only if (a) no new programs of any kind are initiated between now and 1980, and (b) severe and politically difficult reductions are made in base programs in 1980 and beyond.

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. Income tax: In planning this year's tax program, we assumed that the income tax should be kept to between 10 and 11 percent of personal income, to retain the political acceptability of the income tax. Financing NHI from this source would probably push the tax to between 13 and 15 percent of personal income. At its historic high (1969), the income tax took up 11.6 percent of personal income. In 1982, that percentage will be 12.0 percent, if we cut income taxes in the interim as presently planned, and 12.5 percent if we forego the tentatively scheduled 1981 reduction. Financing even the HEW target plan by income taxes would add 1.0 to 1.5 percentage points.

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. Value Added taxes: We could raise very large amounts of revenue from a new national sales, value added, or turnover tax. But (without substantial complications) the tax would be regressive; it would be inflationary; and it would infringe upon

a revenue source traditionally left to the States. Launching such a new tax would be as controversial as NHI itself, but a VAT certainly deserves study if you opt for substantial NHI spending in the next five years.

. Tax Expenditures: Employer contributions to employee insurance policies are tax exempt, and medical and insurance payments by individuals are deductible, subject to complex percentage-of-income floors. As presently designed, these tax expenditures create a disincentive to economize on the part of health care consumers. As part of any cost containment program, they should be rationalized. However, this money is not available to finance new health spending, because it currently supports existing health expenditures.

III. Priorities in a Phased Comprehensive Program

A. The First stage: Cost Containment

Given the enormous costs of a comprehensive plan, and the severity of the budget and tax constraints we face, we must begin on the road to NHI by greatly increasing the efficiency with which we use present health care resources. In brief: the first NHI stage should be cost containment. My impression is that we have done far too little work on this subject. Several points seem to me extremely important.

1. The present system is grossly inefficient and inflationary, with costs completely out of control.

Over the last decade: Health care spending in the U.S. has quadrupled. Real per capita spending has risen by 80 percent. Doctors fees have increased 1.3 times faster than prices generally, hospital room prices 3.0 times faster. Health care spending has risen from 6 to 9 percent of GNP (it was running 8.3 percent at the time of your 1976 speech) and will continue to rise, reaching 9.3% in FY'78; in most other countries, by contrast, the percentage is remaining stable. Health care has become a key "uncontrollable" element in expanding government budgets. Public health spending has mushroomed from \$9.5 billion to \$59 billion, rising from 25 to 42 percent of all health expenditures. Federal Medicare outlays have risen 10 fold, to an estimated 30 billion in FY 1979; Medicaid outlays have risen nearly 15 fold, and will exceed \$12 billion in 1979.

2. The most practical way to inject efficiency into the system is to enhance competitive forces and build in genuine market incentives.

The present system is rigged to suppress competition and to discourage all efforts at cost-saving innovation. Our health sector is a web of cost-plus contracts. Doctors and hospitals decide what to provide and what to charge on a fee-for-service basis, and passive third party mechanisms--private insurers, Medicare, Medicaid and tax subsidies--then serve up reimbursement for, virtually, whatever is charged. No one is the system--neither doctor, nor hospital, nor consumer, nor insurer--has much if any incentive to economize.

This system needs to be restructured into a supervised competitive market for health services. This means replacing fee-for-service medicine, wherever possible, with a wide variety of pre-paid health plans, both public and private. It means carefully structuring and supervising a regime of competition among these plans, to give consumers a realistic choice. Finally, it means redesigning federal subsidies and tax expenditures so that both providers and consumers are confronted with clear cut financial incentives to minimize costs and maximize the efficiency of health care.

None of this will be easy, either technically or politically, and it will take a number of years. But this approach offers far more promise -- both of results and of political acceptability -- than attempting to suppress cost inflation through elaborate bureaucratic regulations. NHI advocates too often assume that cost containment must mean centralized price controls for every medical service and procedure, everywhere in the country. Our experience with the Hospital Cost Containment Bill shows that Congress would never authorize such a regulatory scheme. They would be right not to. Economic regulation of a personal service industry like medicine is virtually impossible. Services and procedures can be endlessly redefined, allowing wholesale evasion and fraud. The Nixon wage-price controls failed badly in the health sector. Economic regulation almost always raises costs and causes new inefficiencies.

3. Even if we were not interested in NHI, we would urgently need a cost containment initiative for the health sector.

Health sector costs are helping drive up wages and prices throughout the economy. Our anti-inflation program has little hope of long term success unless it takes on the health sector's inefficiency in a major way. Furthermore, health sector costs are now rising so swiftly that even middle class families may soon find adequate care beyond their means. Finally, the continuing pressures for ever increasing subsidies for health care threaten our plans for eventual budgetary balance.

B. Conditions for later stages

In moving beyond the stage of cost containment, we should discipline ourselves to meet several explicit conditions, which are dictated by the economic constraints we face:

- . Before we step up spending, cost containment should have proved itself. This means, at the least, that we should have gotten health sector inflation down to the inflation rate of the economy generally. Only then can we be assured that increased spending will buy real health services rather than more inflation and inefficiency.

- . We should not increase health spending substantially until the general inflation rate itself is on a clearly decelerating path, and the spending increases should be carefully graduated so as not to prejudice continued deceleration.

- . For each stage, the financing resources should be clearly available and identified. We should not finance NHI by increasing the budget deficit. The early stages will probably have to be financed, almost entirely, from efficiency savings and from modest excise tax increases.

- . The initial increases should go to those most needing them -- to those too poor to afford basic care and to those made "medically poor" by catastrophic expenses. The mere federalization of existing private health spending is a relatively low priority and should come only at the end of the process.

- . Each stage should prove its success, by carefully specified criteria, before we move on to the next stage.

THE WHITE HOUSE

WASHINGTON

June 29, 1978

MEMORANDUM TO THE PRESIDENT

FROM: PETER BOURNE *P.B.*

SUBJECT: SECRETARY BLUMENTHAL'S MEMO ON NATIONAL HEALTH INSURANCE.

I accept the short term economic realities that Secretary Blumenthal is concerned about. However, I have two areas of concern:

1. Short term versus long term impact. The issues he raises relate primarily to short term effects on the federal budget and the general economy. While I realize much of the problem is one of perception and the seeming contradiction with the immediate need to control inflation, I do not think there is adequate emphasis on the potential long term benefits of a comprehensive National Health Insurance in controlling inflation. This is important because it is potentially one of the strongest selling points for the program. With the exception of Germany which failed to impose cost controls in its system, all other industrialized countries through National Health Insurance have held health care cost at a relatively constant percentage of the G.N.P. while ours has continued to rise.

In Canada national health expenditures have been held to 7 percent of their G.N.P. or below since 1973. In the U.S., national health expenditures were 7.7 percent of a much larger G.N.P. in 1973 and rose by contrast to 8.8 percent in 1977. Canada's success in controlling health costs can be attributed to a well functioning prospective budgeting system. Institutional budgets are submitted in advance and reviewed. This is their version of zero based budgeting. Adopting some form of perspective budgeting in our country would end the cost-plus reimbursement that Secretary Blumenthal identifies as one of the primary causes of the problem.

2. Cost Control as a first step in phasing. The suggestion that "the first National Health Insurance stage should be cost containment" is politically and practically unrealistic. To build support for National Health Insurance, not just with the Unions, but generally, we have to show we

MEMORANDUM TO THE PRESIDENT

FROM: Peter Bourne

SUBJECT: Secretary Blumenthal's Memo on National Health Insurance.

are giving people something in return for adding further controls. In addition cost controls will only begin to be truly effective when we are able to control the sources of coverage and service for everyone. One reason medicare and medicaid have been so inflationary is that providers are able to circumvent cost controls by overcharging other insurers or patients or finding ways to pass the "losses" on to medicare patients themselves. When people have inadequate or no health insurance there is a tendency to avoid treatment until conditions become acute (and therefore harder and more expensive to treat) and to rely on the most expensive treatment modes, i.e. emergency rooms. Cost containment alone can not address this kind of unnecessary expenditure.

If efforts at cost control will only be fully effective when we have control of the entire system, to peg the phasing too closely to the general inflation rate is setting up a "Catch 22" situation which may well guarantee that we have no National Health Insurance and no effective cost controls. Out of control health costs would themselves keep inflating the economy at a rate that would dictate that we could not implement the next stage of National Health Insurance and the accompanying controls.

The controls must be tied from the start to an improvement in the health care now available. While catastrophic coverage has some appeal, I believe covering as a first step the million poor or near poor not now covered by medicaid or medicare would be seen as merely an expansion of those two highly criticized programs and would have little appeal to the average voter. I still believe that politically, comprehensive coverage for all children under 12 would have great appeal as the initial step and would urge you to consider it.

The concerns of your economic advisers have received a lot of public attention. I hope these arguments will not carry disproportionate weight in any decisions you make. The fundamental decision should be based on what is right, what the American people need to assure that we have the highest standard of health in the world, and what legacy you want to leave. The economists should then determine the best way to carry out and sell the decision economically within the fiscal constraints we are under.

PGB:ss

ID 783362

THE WHITE HOUSE

WASHINGTON

DATE: 27 JUN 78

FOR ACTION: STU EIZENSTAT

JACK WATSON

JIM MCINTYRE

CHARLIE SCHULTZE

INFO ONLY: THE VICE PRESIDENT

HAMILTON JORDAN

FRANK MOORE (LES FRANCIS)

ANNE WEXLER

PETER BOURNE

SUBJECT: SEC. BLUMENTHAL MEMO RE NATIONAL HEALTH INSURANCE

+++++
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: 1200 PM THURSDAY 29 JUN 78 +
+++++

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:



THE SECRETARY OF THE TREASURY
WASHINGTON

June 26, 1978

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This system needs to be restructured into a supervised competitive market for health services. This means replacing fee-for-service medicine, wherever possible, with a wide variety of pre-paid health plans, both public and private. It means carefully structuring and supervising a regime of competition among these plans, to give consumers a realistic choice. Finally, it means redesigning federal subsidies and tax expenditures so that both providers and consumers are confronted with clear cut financial incentives to minimize costs and maximize the efficiency of health care.

None of this will be easy, either technically or politically, and it will take a number of years. But this approach offers far more promise -- both of results and of political acceptability -- than attempting to suppress cost inflation through elaborate bureaucratic regulations. NHI advocates too often assume that cost containment must mean centralized price controls for every medical service and procedure, everywhere in the country. Our experience with the Hospital Cost Containment Bill shows that Congress would never authorize such a regulatory scheme. They would be right not to. Economic regulation of a personal service industry like medicine is virtually impossible. Services and procedures can be endlessly redefined, allowing wholesale evasion and fraud. The Nixon wage-price controls failed badly in the health sector. Economic regulation almost always raises costs and causes new inefficiencies.

3. Even if we were not interested in NHI, we would urgently need a cost containment initiative for the health sector..

Health sector costs are helping drive up wages and prices throughout the economy. Our anti-inflation program has little hope of long term success unless it takes on the health sector's inefficiency in a major way. Furthermore, health sector costs are now rising so swiftly that even middle class families may soon find adequate care beyond their means. Finally, the continuing pressures for ever increasing subsidies for health care threaten our plans for eventual budgetary balance.

B. Conditions for later stages

In moving beyond the stage of cost containment, we should discipline ourselves to meet several explicit conditions, which are dictated by the economic constraints we face:

- . Before we step up spending, cost containment should have proved itself. This means, at the least, that we should have gotten health sector inflation down to the inflation rate of the economy generally. Only then can we be assured that increased spending will buy real health services rather than more inflation and inefficiency.

- . We should not increase health spending substantially until the general inflation rate itself is on a clearly decelerating path, and the spending increases should be carefully graduated so as not to prejudice continued deceleration.

- . For each stage, the financing resources should be clearly available and identified. We should not finance NHI by increasing the budget deficit. The early stages will probably have to be financed, almost entirely, from efficiency savings and from modest excise tax increases.

- . The initial increases should go to those most needing them -- to those too poor to afford basic care and to those made "medically poor" by catastrophic expenses. The mere federalization of existing private health spending is a relatively low priority and should come only at the end of the process.

- . Each stage should prove its success, by carefully specified criteria, before we move on to the next stage.

WASHINGTON

DATE:

3360
27 JUN 78

FOR ACTION:

STU EIZENSTAT

JACK WATSON

ZBIG BRZEZINSKI

XC: *Coningsburg Corp.*
FRANK MOORE (LES FRANCIS)

ANNE WEXLER

JIM MCINTYRE

INFO ONLY: THE VICE PRESIDENT

JODY POWELL

CHARLIE SCHULTZE

SUBJECT: STRAUSS MEMO RE STAINLESS STEEL FLATWARE ESCAPE CLAUSE
CASE

LAST DAY FOR ACTION - 7/7/78

+++++

+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +

+ BY: +

+++++

ACTION REQUESTED: IMMEDIATE ACTION REQUESTED

STAFF RESPONSE: (☒) I CONCUR (☐) NO COMMENT. (☐) HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

THE WHITE HOUSE
WASHINGTON

June 29, 1978

Bob Lipshutz

The attached was returned in the President's outbox today and is forwarded to you for your information. The signed original has been given to Bob Linder for appropriate handling.

Rick Hutcheson

cc: Bob Linder

E.O. INSPECTION OF FOREIGN ASSIST.
PROGRAMS

THE WHITE HOUSE
WASHINGTON

June 27, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: BOB LIPSHUTZ *RL*

RE: Executive Order Entitled:
Inspection of Foreign Assistance Programs

The attached proposed order transfers certain duties of the Inspector General, Foreign Assistance, to the Inspector General, Foreign Service. The International Development and Food Assistance Act of 1977 repeals that portion of the Foreign Assistance Act of 1961 which created the office of Inspector General, Foreign Assistance. The repeal is effective July 1, 1978, and the repealing act authorizes the transfer of responsibilities contained in the attached order.

In part because a forthcoming GAO report will criticize the quality of the work of the Inspector General, Foreign Service--to whom responsibilities will be transferred--the exercise of authority to suspend programs is conditioned on certain safeguards: the specific consent of the Secretary of State, and deference, where practical, to agencies' own authority to take corrective action when notified of deficiencies.

We recommend that you sign the attached order prior to July 1.

☒ Approve

☐ Disapprove

J

THE WHITE HOUSE
WASHINGTON

June 29, 1978

Frank Moore

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

cc: Susan Clough

	FOR STAFFING
	FOR INFORMATION
/	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION -

ACTION
FYI

	ADMIN CONFID
	CONFIDENTIAL
	SECRET
	EYES ONLY

	VICE PRESIDENT
	EIZENSTAT
	JORDAN
	KRAFT
	LIPSHUTZ
/	MOORE
	POWELL
	WATSON
	WEXLER
	BRZEZINSKI
	MCINTYRE
	SCHULTZE

	ARAGON
	BOURNE
	BUTLER
	H. CARTER
/	CLOUGH
	COSTANZA
	CRUIKSHANK
	FALLOWS
	FIRST LADY
	GAMMILL
	HARDEN
	HUTCHESON
	JAGODA
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	PRESS
	RAFSHOON
	SCHNEIDERS
	VOORDE
	WARREN
	WISE

	ADAMS
	ANDRUS
	BELL
	BERGLAND
	BLUMENTHAL
	BROWN
	CALIFANO
	HARRIS
	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE

THE WHITE HOUSE
WASHINGTON

June 28, 1978

*Frank -
stay on this
J*

MEMORANDUM FOR THE PRESIDENT

FROM:

FRANK MOORE

FM.

The Speaker read your letter and says he is with you all the way. We are contacting each member of Steed's Subcommittee, ~~individually~~. The Speaker says he can get Patten and Bolling to stand up like soldiers.

Good

Because of a danger of a Republican motion to instruct the conferees and many Democratic absentees this week, the House conferees will probably not be appointed until after the July 4 recess; then they will meet and act quickly. I have talked to the Staff Director of the House Appropriations Committee and told him we need Congressman Mahon to serve himself on this conference. He agrees. I will talk with Mahon and Cederberg to see if Cederberg can help with the two Republicans.

THE WHITE HOUSE
WASHINGTON

June 29, 1978

Bob Lipshutz
Stu Eizenstat

The attached was returned in the President's outbox today and is forwarded to you for your information. The signed original has been given to Bob Linder for appropriate handling.

Rick Hutcheson

cc: Bob Linder

EXECUTIVE ORDERS RE EEO
REORGANIZATION PLAN

THE WHITE HOUSE

.WASHINGTON

June 27, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: BOB LIPSHUTZ *BL*
STU EIZENSTAT *Stu*

RE: Executive Orders Re
EEO Reorganization Plan

Attached are two proposed Executive Orders which would implement certain aspects of the EEO Reorganization Plan effective July 1. OMB and Justice have cleared.

1. The first order implements that provision of the Plan which transfers the coordination functions of the EEO Coordinating Council to the Equal Employment Opportunity Commission. The order has been carefully tailored to meet the objectives which you outlined in your message to the Congress:

- 1) a requirement of consultation between EEOC and other affected agencies before final actions are taken;
- 2) a mechanism for resolving interagency disputes at the White House level (such disputes would be referred to Stu, who would assign an appropriate official in the EOP to meet with the agencies to resolve the issue);
- 3) preservation of the Attorney General's role as legal adviser to the Executive Branch on EEO matters.

The affected agencies, including EEOC, support issuance of the attached order. Affected interest groups also support it.

2. The second attached order implements that provision of the Reorganization Plan clarifying the Attorney General's authority to initiate "pattern or practice" lawsuits against employers in the public sector.

We recommend that you sign both orders as soon as possible.

☒ Approve

☐ Disapprove

(TWO SIGNATURES NEEDED)

THE WHITE HOUSE
WASHINGTON

Susan:

Actually, we did need two signatures (and the Pres. signed both letters). One to Edgar and the other one to be photocopied and sent to the others.

Rick

THE WHITE HOUSE

WASHINGTON

June 27, 1978

C

MEMORANDUM FOR THE PRESIDENT

FROM:

FRANK MOORE *F.m/p*
JIM FREE *J.F.*

SUBJECT:

Thank-you letter to supporters of
the Edgar amendment on water projects

Attached is a suggested letter from you to each of the 142 Members of the House who voted with Rep. Bob Edgar to delete the eight water projects "killed" last year which were included in the House Public Works Appropriations bill this year. A special letter to Rep. Edgar is also proposed. These letters will help to solidify the support of these Members for a veto of the Public Works Appropriations bill, if necessary.

✓

APPROVE

DISAPPROVE

J

Attachments

(TWO SIGNATURES REQUESTED)

one signature requested at tab B
approval requested at tab A

THE WHITE HOUSE
WASHINGTON

To

Thank you for your support of the effort to delete eight unsound water projects from the House Public Works Appropriations bill. I appreciate your courageous stand on this difficult issue.

The Public Works Appropriations bill passed by the House of Representatives is unacceptable in large part because it contains excessive funds for water projects, including the projects found to be unworthy of funding last year. The Edgar amendment was defeated, but I hope that the Congress will pass an acceptable bill. I look forward to your continued support on this important issue.

Sincerely,

A handwritten signature in cursive script, reading "Jimmy Carter". The signature is written in dark ink and is positioned below the word "Sincerely,".

THE WHITE HOUSE

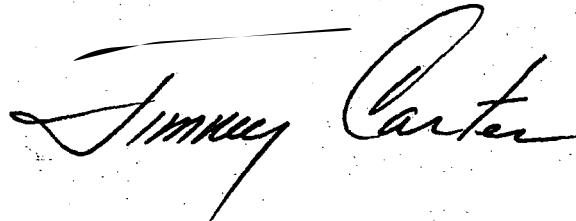
WASHINGTON

To Congressman Bob Edgar

Thank you for your courageous efforts to delete eight unsound water projects from the House Public Works Appropriations bill. Although your amendment did not pass, I appreciate your endeavors to re-establish the water project compromise achieved last year.

The Public Works Appropriations bill passed by the House of Representatives is unacceptable in large part because it contains excessive funds for water projects, including the projects found to be unworthy of funding last year. The Edgar amendment was defeated, but I hope that the Congress will pass an acceptable bill. I look forward to your continued support on this important issue.

Sincerely,

A handwritten signature in cursive script, reading "Jimmy Carter". The signature is written in dark ink and is positioned below the word "Sincerely,".

The Honorable Robert W. Edgar
U.S. House of Representatives
Washington, D.C. 20515

THE WHITE HOUSE
WASHINGTON

June 29, 1978

Frank Moore

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling. Please notify Cong. Sarasin. The original has been forwarded to Bob Linder.

Rick Hutcheson

cc: Stu Eizenstat
Anne Wexler
Zbig Brzezinski
Jim McIntyre
Bob Linder

RE: STAINLESS STEEL FLATWARE ESCAPE
CLAUSE CASE

THE SPECIAL REPRESENTATIVE FOR
TRADE NEGOTIATIONS
• WASHINGTON

LIMITED OFFICIAL USE

MEMORANDUM FOR THE PRESIDENT

26 JUN 1978

FROM : Robert S. Strauss

SUBJECT: Stainless Steel Flatware Escape Clause Case

By July 7, 1978 you must decide whether to grant import relief to the domestic stainless steel table flatware (SSF) industry under section 203 of the Trade Act of 1974.

I recommend that you find that import relief would not be in the national economic interest for the following reasons:

(1) Any form of relief that would help the firms in the industry who really need it, would generate inflationary pressures. While the volume of business involved is small so that the impact on the overall economy would be nominal, the symbolism would be much greater (i.e. everyone uses knives, forks, and spoons).

(2) One firm, which operates quite profitably, dominates the industry and figures to make substantial windfall profits if relief is given. The firm accounts for over 70 percent of employment and sales in the domestic industry. Overall industry profits actually improved in 1977 although they are below the average for all manufacturing.

(3) Six firms, which account for about 20 percent of industry sales and employment have been losing money for three years and are unlikely to ever be competitive in the absence of permanent import restrictions.

(4) Despite the large increase in flatware imports since 1975, only 122 jobs have been lost in the entire industry. Only one major plant (320 employees) is at risk (i.e. International Silver Co. at Meriden, Connecticut) and that plant may well be cut back unless very stringent quantitative relief is given.

(5) Both the Japanese and Korean flatware industries are restraining their exports to 1977 levels, which should limit import gains in 1978.

(6) This industry has had relief in 13 of the last 20 years. To continue to give them relief would be inconsistent with the international principle that relief should be temporary.

(7) Congressional interest in this case is small and those who have gone on record against relief balance those who support it. The risk of an override is minimal since the domestic industry does not want the remedy proposed by the USITC (i.e. large tariff increases).

State, Treasury, CEA, Agriculture, Defense, Interior, COWPS, Justice and Commerce all recommend no relief.

Labor recommends limited relief in conjunction with a special adjustment assistance effort. Commerce and Labor recommend you direct Commerce to explore whether it can design a domestic adjustment assistance program for the stainless steel flatware industry similar to what it is doing for the shoe industry. ~~We will have an interagency review of this proposal this week and will forward recommendations to you when appropriate.~~

The attached memorandum provides detailed background information on this issue.

Attachment

6/28/78

The Trade Policy Review Group met today to consider a Commerce-Labor proposal that the Commerce Department study the possibility of providing a special adjustment assistance effort to the stainless steel flatware industry (similar to what is being done for the shoe industry). It was agreed that Commerce would undertake a low-key study and that the STR press release on your decision would announce the study. This approach was chosen to avoid raising domestic expectations that a special effort would remedy the problems of this industry. However, our willingness to undertake this study would demonstrate our concern about the industry's problems.

Labor continues to feel that any assistance program should be accompanied by moderate import relief so that firms are protected while the program is gearing up. All agencies other than Labor continue to recommend no import relief.

☒ Approve STR recommendation ☐ Disapprove

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE SPECIAL REPRESENTATIVE
FOR TRADE NEGOTIATIONS

SUBJECT: Determination Under Section 202(b)(1) of the
Trade Act; Stainless Steel Table Flatware

Pursuant to section 202(b)(1) of the Trade Act of 1974 (19 U.S.C. 2252(b)(1)), I have determined the action I will take with respect to the report of the United States International Trade Commission (USITC), transmitted to me on May 8, 1978, concerning the results of its investigation of a petition for import relief filed by the Stainless Steel Flatware Manufacturers Association, Washington, D.C., on behalf of the domestic industry producing knives, forks, spoons, and ladles, with stainless steel handles, provided for in items 650.08, 650.09, 650.10, 650.12, 650.38, 650.39, 650.40, 650.42, 650.54, 650.55, and, if included in sets, 651.75 of the Tariff Schedules of the United States.

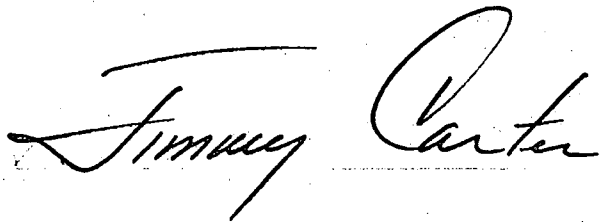
After considering all relevant aspects of the case, including those considerations set forth in section 202(c) of the Trade Act of 1974, I have determined that provision of import relief is not in the national economic interest.

The imposition of import relief would not be an effective means to promote adjustment in the industry. The dominant firm in the domestic industry currently utilizes the most advanced manufacturing equipment and, along with a number of smaller firms, should remain profitable. Most major domestic producers of flatware currently rely on imports in a substantial and increasing degree to supplement the particular product lines in which they specialize and this trend is expected to continue. Import relief in the form of a tariff rate quota has been in effect for 13 out of the past 20 years in order to facilitate adjustment in this industry and additional relief would be inappropriate. Providing import relief again would be inconsistent with the internationally accepted concept that import relief in escape clause cases should be of a temporary nature.

Import relief would substantially increase costs to consumers, have an adverse impact on consumer demand, and discriminate against low-income purchasers. Consumer costs may increase even further if the moderating influence that low price imports have on the prices of domestically produced flatware is eliminated. In a time when we are striving to control inflation, these added costs are unacceptable.

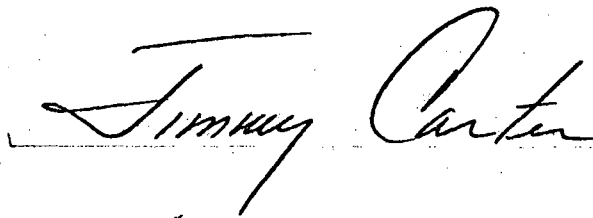
Employment losses since 1975 have been small and many of the unemployed workers are currently receiving trade adjustment assistance benefits. The USITC estimates that overall domestic production of flatware should gradually increase even in the absence of relief and this should have a stabilizing effect on the number of jobs in the industry. Further, expedited consideration of adjustment assistance petitions from workers, firms, and communities is still in effect as a result of the Presidential determination on the 1976 import relief case.

This determination is to be published in the Federal Register.

A handwritten signature in cursive script, reading "Jimmy Carter". The signature is written in dark ink and is positioned in the lower right quadrant of the page.

TO THE CONGRESS OF THE UNITED STATES:

In accordance with section 203(b)(2) of the Trade Act of 1974, enclosed is a report to the Congress setting forth my determination that import relief for the U.S. stainless steel table flatware industry is not in the national economic interest, and explaining the reasons for my decision.

A handwritten signature in cursive script, reading "Jimmy Carter". The signature is written in dark ink and is positioned to the right of the main text block.

THE WHITE HOUSE,

IMPORT RELIEF ACTION

STAINLESS STEEL TABLE FLATWARE

As required under section 203(b)(2) of the Trade Act of 1974, I am transmitting this report to Congress setting forth the action I will take with respect to stainless steel table flatware covered by the affirmative finding on May 8, 1978 of the U.S. International Trade Commission (USITC) under section 201(d)(1) of the Trade Act. As my action differs from that recommended by the USITC, I have included the reasons for my decision.

After considering all relevant aspects of the case, including those considerations set forth in section 202(c) of the Trade Act of 1974, I have determined that import relief for the domestic stainless steel table flatware industry would not be in the national economic interest for the following reasons:

1. The imposition of import relief would not be an effective means to promote adjustment in the industry. The dominant firm in the domestic industry now supplies over half of all domestic production (almost three quarters in value terms) and currently utilizes technologically advanced manufacturing equipment. This firm, as well as a number of smaller firms who are operating profitably, should remain profitable.

2. All the major firms in the industry have been increasing their amounts of imports in order to supplement the particular product lines in which they specialize and to improve their overall profitability and this trend is expected to continue.

3. Import relief would discriminate against low-income purchasers and substantially increase costs to consumers. (Under the USITC's recommended remedy, costs are estimated to increase by at least \$33 million in the first year.) These costs may increase even further if the moderating influence that low-price imports have on the prices of domestically produced flatware is eliminated. In a time when we are striving to control inflation, these costs are too high.

4. This industry has had import relief in 13 out of the past 20 years. Providing import relief again would be inconsistent with the internationally accepted concept that import relief in escape clause cases should be of a temporary nature.

5. Employment losses since 1975 have been small and many of the unemployed workers are currently receiving Trade Adjustment Assistance benefits. The USITC estimates gradually increasing domestic production of flatware even in the absence of relief and this should have a stabilizing effect on the number of jobs in the industry.

6. Expedited consideration of adjustment petitions from workers, firms, and communities is still in effect as a result of the Presidential determination on the 1976 import relief case.

ADMINISTRATIVELY CONFIDENTIAL

THE WHITE HOUSE

WASHINGTON

June 28, 1978

②

MEMORANDUM FOR THE PRESIDENT

FROM:

FRANK MOORE *F.M./BR*

For your information

1. The Speaker met with Staggers, Dingell and Ashley. He talked them into signing the conference report for coal conversion which Senators Jackson and Byrd can get scheduled and passed by the Senate before you leave for Bonn. However, the House is insistent that the next bill they send will be the gas bill and then they can follow quickly with utility rate reform and conservation. Senator Metzenbaum is looking for a way to compromise and save face on the Metzenbaum amendment. Dingell and Ashley are so mad at him on natural gas, they have not agreed yet and the UAW will go back to them again this week to try to get a compromise. If this works, they could get a conference report on conservation quickly.
2. The Senate today defeated the Clark-Case amendment limiting executive discretion on submittal of treaties and executive agreements by a vote of 49 to 41. The Senate did approve a Glenn substitute which calls on the executive to consult with the Senate Foreign Relations Committee on the status of all future negotiations. This is a major victory which Senator Pell deserves a great deal of credit. Although we would have preferred no amendment, the Glenn language will cause us no trouble.

THE WHITE HOUSE

WASHINGTON

June 29, 1978

MEMORANDUM TO THE PRESIDENT

FROM:

PETER BOURNE

P.B.

SUBJECT:

STATUS REPORT - COMMISSION ON WORLD HUNGER.
(per your request)

Membership - Clearances are proceeding on the 14 members you chose (see attached list). We anticipate weeks more to complete this procedure at which point we will request time on your schedule for a brief announcement and signing ceremony.

Congressional members will be designated following your signing of the Executive Order. House members will be Nolan and Gilman. Senate members will be Leahy and Dole or Bellmon (to be decided by the minority leadership).

Executive Order - Has been drafted and is being reviewed by OMB in consultation with Sol Linowitz. It will be ready by the time the clearance on the members are completed.

Message to the Congress - Has been prepared, circulated to the agencies for review, and will be finalized with OMB in consultation with Sol Linowitz next week. It will then be submitted to you.

Funding - Senator Leahy introduced a floor amendment to the State Department Authorization Bill to provide funding at the level you approved. (\$1.5 million for each year)

Staff - Sol Linowitz is interviewing this week several possible candidates for the position of Executive Director.

Report of the Interagency Working Group on World Hunger - The report has been printed and published this week. We plan to distribute it widely and use it as a basic background document for the Commission. We will provide you a copy if you wish.

PGB:ss

Attachment

PRESIDENT'S COMMISSION ON WORLD HUNGER - DESIGNATED MEMBERS

Sol Linowitz - Chairman
Steven Muller - Vice Chairman
Jean Mayer - Vice Chairman
Norman Borlaug
Eugene Stockwell
Walter Falcon
D.W. Brooks
Raymond Singletary
Bess Meyerson
Harry Chapin
John Denver
Adele Simmons
Clifton Wharton
Howard Schneider

Goldblatt Inc. 244 Perimeter Center Parkway, N.E./P.O. Box 2210 Atlanta, Ga. 30301
Phone (404) 393-5154

D.W. Brooks—Chairman of the Board Emeritus

June 5, 1978

Personal

Mr. Frank Moore
Assistant to the President
for Congressional Liaison
The White House
Washington, D. C. 20500

Dear Frank:

I am enclosing a letter which I would appreciate your passing on through to the President.

Charlie Kirbo has told me several times that he has a special number he can put on the envelope which will go directly to the President, and that he will be glad for me to use that number any time I want to do so. But, I think it will be more convenient for me just to send these letters to you and let you pass them through to the President.

However, if this becomes a burden to you, feel perfectly frank to tell me, and I will let Charlie pass them through for me.

Yours sincerely,



D. W. Brooks

DWB:bw
Enclosure

Handwritten notes:
Hom - Peter
Status of Commis-
sion/board?
J

Stamp:
CONGRESSIONAL
LIAISON
JUN 11 1978

THE WHITE HOUSE

WASHINGTON

June 29, 1978

MEMORANDUM FOR THE PRESIDENT

FROM:

FRANK MOORE

BILL CABLE

Bill

SUBJECT:

Follow-up on Leadership Breakfast

At the Leadership Breakfast last week there was a general direction to come to some agreement on the facts relating to action on appropriations bills.

This week we met with the House Leadership, the Appropriations Committee staff, and OMB to try to reach some common ground. It became clear that long-standing institutional problems (some real, some political) would keep OMB and the Committee staff from ever agreeing on a single document.

Therefore, Irv Sprague (the Speaker's Steering Committee Staff Director) and I worked from the two drafts and came up with the attached memo that we agreed would go to you and the Speaker.

Several points need to be made clear:

- The Congress can accurately claim it is acting responsibly in the appropriations process and not increasing the budget but exercising policy judgments at variance from yours.
- We should shift the discussion from "increasing the deficit" to priorities.
For example, if the Congress wants more water projects, something else will have to be cut back -- like health, education or defense.
- A debate on the issues will eliminate the tendency to refer to Congressional action as "phony" or in some way attacking the motives or the Congress, which is counterproductive.

27 June 1978

MEMORANDUM FOR THE RECORD

FROM: IRV SPRAGUE
BILL CABLE

It is important that a Democratic Congress and a Democratic President not be in a posture of arguing about the facts. There are sufficient policy disagreements.

Following the leadership meeting last week at which appropriations numbers were in dispute we called together technicians of the Office of Management and Budget and the Appropriations Committee to seek common ground.

We can now report agreement that House action to date shows a net reduction in budget authority for fiscal 1979. The basic complaint of OMB about the House is that much of the savings come from such programs as Foreign Aid which offsets increases in other bills such as Labor-HEW.

Historically, with Democratic and Republican presidents alike, the summary of Appropriations actions are based on the pure mathematics, i.e. President asks X, Congress pass XX, for a net increase or decrease of XXX.

These figures admittedly do not give the true picture because they do not take into account simple bookkeeping transactions and varying estimates of uncontrollable items. It works both ways. Administration requests always are based in part on legislative proposals that have no real chance of enactment.

The House has now passed 10 of the 13 regular appropriations bills. The Senate has passed two.

The pure figures show the House with a net saving of about \$4.5 billion to date.

After eliminating some items--\$1 billion in HUD bookkeeping, \$1 billion for the Michel amendment on uncontrollables, and other adjustments, the professional staffs are now in general agreement:

House staff---net savings of about \$750 million

OMB staff-----net savings of about \$280 million.

This difference is virtually meaningless in a budget of \$325 billion in appropriations bills considered by Committee or passed by the House.

Some of the difference will be worked out before the bills are sent to the White House. The final numbers will depend on House action on Foreign Aid, Defense and D.C., Senate action on all the bills, the ultimate conference resolution and any possible supplementals.

But the facts are now clear and in agreement--in the aggregate the House is not increasing the President's expenditure requests.

There are basic policy differences. The Administration believes:

--Priorities and policies should be altered in public works.

--Health and Education programs are too high.

--There are one-year expenditures in programs that will lead to accelerated budgets in the future.

--Constraints should not be made in the appropriations on

staffing (Agriculture) and policy (Foreign Aid).

DETAILED OMB OBJECTIONS ON 7 BILLS

(a) Public Works:

Although the House totals are smaller for fiscal 1979, OMB says there actually is a \$1.4 billion increase based on full funding in new water project starts. Looks like we will reach an accommodation on Clinch River.

(b) Labor-HEW:

OMB objects to the following: \$258 million up in health programs; \$100 million up in Title I education; \$300 million up in student assistance.

(c) Transportation:

Ways and Means still has to act on highway and mass transit trust fund. Transportation appropriations bill makes \$1.2 billion increase in obligation authority. The House eliminated \$166 million for FAA flight service stations.

(d) Agriculture:

Mandatory payments for CCC were cut \$411 million. Staffing levels are mandated.

(e) Military Construction:

\$200 million out of NATO readiness and put into various other projects. Also cut \$88 million in Navy projects and \$32 million for space shuttle runway.

(f) Interior:

House cuts challenged: Forest service, \$188 million; energy programs, \$90 million; Indian Affairs, \$62 million; Land management, \$55 million; Geological survey, \$52 million.

(g) Foreign Aid:

Significantly decreased.

Passed House:	Agriculture	Military Construction
	HUD	Public Works
	Interior	State-Justice
	Labor-HEW	Transportation
	Legislative	Treasury

Reported in House: Foreign Aid/Already marked up in House
Defense D.C.

Passed Senate: Transportation Treasury

It is clear from the status of appropriations that the Administration is too late to express an opinion in the House and must, to have any effect, consult with the Senate.

In Texas over the weekend the President said his hopes of reducing the budget were threatened by several appropriations bills before Congress.

Specifically mention as "Seductive areas" veterans, farmers, water projects, defense and education.

It is true that authorizing legislation in the mill will have an effect on the budget deficit. Examples are the Veterans pensions bill on the House Floor this week, impact aid already reported, and the Tuition Tax Credit already passed the House.

IN SUMMARY:

- The President and the Congress both are acting responsibly.
- There will always be differences on estimates on thousands of programs.
- There is agreement that so far the House has reduced the President's requested outlays.
- There are major policy differences on priorities. And this is healthy under our system of Government.
- We should look at the total of the appropriations in making public or private judgments about the actions of the Congress. We won't have the final figures for sometime.



THE SECRETARY OF THE TREASURY

WASHINGTON

June 29, 1978

①

MEMORANDUM FOR THE PRESIDENT

FROM: W. Michael Blumenthal

WMB

SUBJECT: Tax bill negotiations

I am making reasonable progress, against tough odds, in lining up Ways and Means Committee Democrats behind a simple \$15 to \$20 billion tax cut. A majority of Democrats are now on board, but the last four or five will be difficult, and we will need your help with them after the July 4th recess.

It's already clear that the package deal will have to contain something on capital gains--at least a promise of a House floor vote, and perhaps an actual provision in the Committee Bill. Our goal is to defeat Steiger, Jones, and all other variants that effectively repeal the minimum tax for capital gains. To accomplish this, we will have to get Democratic consensus on a more reasonable and limited measure. You should, I think, stay clear of any such discussions, at least for the present. But, on a purely personal basis, I am indicating to Members that our strong objections to Steiger, etc. might not necessarily apply to capital gains measures that

- . would provide relief for homeowners (our tax program itself goes some distance here);
- . would lose substantially less revenue than Jones;
- . would provide relief far more equitably among income classes;
- . would target more effectively on the formation of productive capital, perhaps through focusing on new equity issues.

If an acceptable compromise along these lines emerges, I think we have a good chance of defeating Steiger, Jones, etc.

THE WHITE HOUSE
WASHINGTON

June 29, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT *By D. Rubenstein*
SUBJECT: Blumenthal Tax Memo

I agree with Mike that we will have a difficult time getting 19 votes for a straight tax cut, and would like to make the following points about his assessment:

1. We should not be proposing even a limited alternative to Steiger or Jones until it is absolutely clear that we cannot get a straight cut through the Committee. Before we reach the stage where we are ready to propose a limited alternative, we should first have the Speaker, who has indicated his willingness to help, and then you, if necessary, meet with the pivotal Committee members. I think that you will be able to swing a number of votes if you hold one-on-one meetings with certain members.
2. Over the next week to ten days, Treasury and the White House staff will be working closely together to pinpoint undecided Committee members and to target resources at persuading them. Next week we will be meeting with the AFL-CIO to see what type of assistance they are willing to provide in the effort to defeat Steiger and Jones. In addition, we will be working with Ann Wexler to mobilize other interest groups to join in our anti-Steiger efforts.
3. During any negotiations over Steiger with Committee members, we must be extremely careful not to position ourselves in a way which appears to contradict or change the strong anti-Steiger position you so recently announced. We must be very careful in developing an alternative, if that becomes necessary, to avoid charges of inconsistency on capital gains treatment.
4. At present, Steiger appears to be very popular with House members, and we will certainly have a difficult time with a Floor vote. It may be worthwhile to give more at the Committee level on Steiger if we can ensure no votes on Steiger on the Floor. It is too early to determine whether that is possible, but we need to keep in mind the possibility of using our alternative to Steiger in the Committee as a weapon to prevent a House vote on the full Steiger proposal.